

Memorandum

To : Honorable Carole Migden, Chairwoman
Honorable Claude Parrish, Vice Chairman
Honorable Bill Leonard
Honorable John Chiang
Honorable Steve Westly

Date : November 18, 2004

From : Jerri Dale, Chief
Customer and Taxpayer Services Division

Jeff McGuire, Chief
Tax Policy Division

Subject : **Agenda Item No. 1 – Tax Amnesty Status Report**
Customer Services and Administrative Efficiency Committee Meeting – December 14, 2004

Senate Bill 1100 (Chapter 226, Statute of 2004) was signed into law on August 16, 2004, and, in part, requires the Board of Equalization (Board) to implement a tax amnesty program for sales and use taxes. This status report is intended to provide you with information regarding the provisions of the amnesty program as well as an update on our implementation efforts.

Program Overview

The amnesty program provides taxpayers with an opportunity to report and pay sales and use taxes that were not reported or to pay tax liabilities that were reported but which remain unpaid. Reporting periods eligible for amnesty are those which began prior to January 1, 2003. Taxpayers who fulfill all requirements of the program will be relieved of penalties and will avoid additional penalties for those reporting periods.

Taxpayers participating in the amnesty program must:

- Submit a completed and signed tax amnesty application between February 1, 2005 and March 31, 2005. The application will be available by January 15, 2005. Any applications received prior to February 1, 2005 will be held by staff for processing on or after February 1, 2004.
- File tax returns by May 31, 2005 for any periods for which a tax return was not filed or file amended returns for which the tax was previously underreported. Returns are not required if amnesty is requested for existing unpaid tax liabilities, such as from self-assessed partial or no remittance returns or from notices of determination.
- Pay all tax and interest amounts by May 31, 2005 or enter into an installment payment agreement (IPA) by this date. Taxpayers entering into an IPA must pay all taxes and interest amounts in full no later than June 30, 2006.

Eligible taxpayers that do not participate in the amnesty program are subject to substantial penalties required by statute. Taxpayers with pre-existing installment payment agreements established prior to February 1, 2005 are excluded from being assessed the amnesty imposed penalties.

An amnesty pamphlet entitled, "*It was probably just an oversight*" will be mailed to all active sellers' permit holders. The pamphlet provides basic information about the Board's amnesty program that is included on the website at <http://www.boe.ca.gov/sutax/pdf/taxamnestybrochure.pdf>.

The Frequently Asked Questions (FAQs) have been posted to the Board's website <http://www.boe.ca.gov/sutax/taxamnestyfaq.htm#general> and will be updated based on any feedback received and as additional issues arise.

Implementation

- Amnesty applications and amended returns are being prepared and will be available on the Board's website in January.
- The Centralized Collection Section will accept and process amnesty applications, process amended returns and payments, arrange amnesty installment agreements, register new taxpayers coming forward under amnesty, and coordinate all actions necessary for taxpayers to participate in amnesty.
- Procedures are being developed to handle audits in process and cases under appeal. A fact sheet is being developed that auditors will provide to all taxpayers under audit to fully explain the taxpayer's amnesty options.
- Team members have identified the changes necessary to the Board's Integrated Revenue Information System (IRIS) and are currently developing an interest calculator for the website.
- The Board of Equalization is required under the amnesty legislation to work together with the Franchise Tax Board in a statewide amnesty advertising campaign that will include billboards, radio and television ads.
- The Customer and Community Outreach Services Section is soliciting speaking engagements for interested groups. Articles have been drafted for newsletters and public services announcements will be filmed December 7 and 9 with Board Member participation.
- All taxpayers will receive amnesty information in their 4th quarter, December and calendar year return mailing. A separate notice will be mailed to qualified taxpayers with an outstanding liability.
- Informational meetings will be held with interested parties in Southern California on December 7, 2004 and in Northern California on December 9, 2004.
- Field offices and the Information Center in headquarters will serve as points of contact for taxpayers requesting amnesty participation by providing amnesty information and applications, assisting taxpayers with the completion of amended returns, completing partial registrations initiated by the Amnesty Unit, and answering taxpayer questions regarding the amnesty program.
- District auditors will work with taxpayers under audit to help them take advantage of amnesty and caution them on the penalties imposed for not participating.
- An amnesty expert in each district office has been identified and will participate in orientation training. These individuals will be responsible for orienting district staff to the amnesty program and encouraging full participation by interested taxpayers.

We will continue to advise you of activities surrounding the Tax Amnesty program and look forward to working with you on any concerns or questions you may have.

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